



# Lifetime mortgages

## Lending criteria

**This document is to be used by financial advisers only, as a guide to the main types of properties and applicants that may be suitable for an Aviva lifetime mortgage. We've used some technical words and phrases throughout the document which we've highlighted using bold font. The meaning of these words and phrases are explained in the glossary on page 8.**

**To be considered for a lifetime mortgage, applicants must:**

- be aged 55 or over (applies to both borrowers in joint life cases) and live permanently in their home
- own a property valued at £75,000 or more
- wish to and be able to borrow at least £15,000
- live in England, Scotland, Wales or Northern Ireland (excluding the Channel Islands or Isle of Man).

**All applications submitted to Aviva will be subject to a valuation, legal checks and full underwriting.**

## Property value and condition

### Acceptable

- Loan size – quotations for loans of £600,000 and below.

### Refer to Aviva

- Properties requiring essential repairs.
- Properties where proposed building works have not yet commenced.
- Properties in the course of construction or pre-construction.
- Loan size – quotations for loans of £600,001 and above.

### Not acceptable

- Properties in poor condition.
- Properties currently undergoing substantial alterations, extensions or repairs.
- Properties that have an unacceptable amount of stored goods, clutter or are otherwise poorly maintained at the time of the valuation inspection.

## Ownership/occupancy – The youngest applicant must be a homeowner aged 55 or older.

### Acceptable

- Property must be the main home of the borrower(s).
- Applications from non-British citizens provided the property is their main residence and is based in England, Wales, Scotland or Northern Ireland.
- Married couples must apply jointly even if the property is only owned by one of them. The ownership of the property will have to be transferred into joint names.
- Properties where a third party is living and sharing the main home with the borrower(s) either on a permanent or temporary basis. This includes family, friends, **lodgers** and anyone invited to live in the home with the borrower(s).
- Properties owned on a tenancy in common basis, provided that both owners are still alive.
- Properties owned on a joint tenancy basis, providing there are no more than two owners and they are both applying for the lifetime mortgage.
- Properties where a third party is living in an **annexe** or a **self-contained part of the property** under a **Tenancy Agreement**. Existing tenants will need to enter into a new Tenancy Agreement on agreed terms and will also be required to sign an **Occupancy Deed** witnessed by an independent solicitor.

### Refer to Aviva

- Properties with any form of occupancy restriction (Local, Agricultural, Employment, etc) in the Title or Planning Permission are unlikely to be accepted, unless the impact of the restriction is minimal.
- Properties where multiple third parties are living in an **annexe** or **self-contained part of the property** each under a **Tenancy Agreement**.

### Not acceptable

- Entirely tenanted properties.
- Age restricted properties.
- Any letting arrangement where the **Tenancy Agreement** is not on terms acceptable to us.
- Properties where the ownership is set up on a tenancy in common basis and one of the borrowers has died. This includes applications for a new lifetime mortgage and additional borrowing. We require the property title to be placed into the surviving borrower's name. Please note: this does not apply to releases from the cash reserve. The surviving borrower can continue to draw from the reserve until the reserve has been used up.

## Property tenure

### Acceptable

- Right to buy – Properties in England, Wales and Northern Ireland where the property was purchased from the local authority over five years ago.
- Right to buy – Properties in Scotland where the property was purchased from the local authority over three years ago.
- Freehold houses and bungalows (England, Wales, Northern Ireland). Feuhold/Freehold properties (including flats) in Scotland.
- Leasehold properties (England, Wales, Northern Ireland) subject to a lease length of 160 years minus the age of the youngest borrower. If the borrower owns a share of the freehold of the building, either personally or through a company, we may require a charge on that freehold share.
- Leasehold properties where the lease length is currently unacceptable are acceptable if the lease is being extended prior to completion. Before an application will be considered, we must see documentary evidence that the landlord has agreed to extend the lease and the terms of that agreement.
- Leasehold properties (with the exception of flats and maisonettes) where the lease length is currently unacceptable are acceptable if the borrower(s) are purchasing the freehold prior to completion. Before an application will be considered, we must see documentary evidence that the landlord has agreed to sell the freehold and the terms of that sale.

### Refer to Aviva

- Properties where the customer is offering only part of the title as security for the loan, either by a charge of part or a proposed title split.
- Properties which are made up of multiple titles.
- Properties with unregistered titles subject to these being registered as part of the legal process – a copy of the title plan must be approved by Aviva and supplied with the valuation instruction.

### Not acceptable

- Commonhold properties.
- Crofted houses.
- Properties owned under any form of shared equity scheme.
- Freehold flats (England, Wales, Northern Ireland).
- Properties where the borrower(s) own the freehold with any connected party (except an unrelated leaseholder of one of the other flats), or where the freehold is owned by a management company that is controlled by the borrower(s) or a connected party.

## Property construction

### Acceptable

- Properties with owned solar panels.
- Properties with single skin brickwork where the single skin comprises up to 20% of the surface area of the external walls, provided there are no adverse structural issues related to the single skin.
- Properties with leased solar panels are acceptable provided the lease is compliant with our requirements and the UK Finance Guidelines.
- All roof structures will be considered subject to the valuer's advice.
- Timber-framed properties constructed post 1965, provided the outer skin is substantially of masonry construction i.e. more than 50%.
- Properties with post 1945 asbestos or similar composition roof tiles may be acceptable, dependent on the valuer's advice.

### Refer to Aviva

- Pre-fabricated reinforced concrete (PRC) may be acceptable if there is evidence of a satisfactory repair scheme having been undertaken to the property and to all houses in the same structural block.
- Timber framed properties built before 1920 may be acceptable subject to individual inspection.
- Eco houses and modern methods of construction backed by an approved warranty scheme.
- Properties with any externally applied insulation to the walls after construction.
- Properties with any external treatment applied to the roof after construction.

### Not acceptable

- Properties with spray foam insulation applied to the underside of the roof.
- Properties with single skin brickwork where the single skin comprises more than 20% of the surface area of the external walls.
- Properties with pre1945 asbestos or similar composition roof tiles.
- Timber framed properties built between 1920 and 1965.
- Steel frame/clad properties built before 2000.
- Large concrete panel systems.
- Properties constructed or converted within the past 10 years which do not have an acceptable building warranty or professional consultant's certificate.

## Flats – an 85% cap will be applied to valuations of all flats and maisonettes

### Acceptable

- Studio flats located within the M25, subject to a minimum floor area of 30 square metres.
- Privately developed flats, maximum four storeys with a lift.
- Freehold/Feuhold flats (Scotland only).
- Privately developed flats in blocks of two storeys without a lift.
- Coach houses i.e. freehold properties with garages beneath (that are not the customer's own garage) which are owned on a long leasehold basis from the customer's title. These are flats, so the 85% cap applies.
- Properties where the combined Service Charge and Ground rent per annum at the time of application is 2% or less of the property value. It is acceptable for ground rent escalation to be linked to RPI (Retail Price Index) or a similar index or where the ground rent increases by a reasonable multiplier. Our solicitor will obtain confirmation from the borrower's solicitor that it meets our requirements.

### Refer to Aviva

- Studio flats outside the M25, subject to a minimum floor area of 30 square metres.
- Former local authority flats.
- Privately developed flats in blocks of five storeys or more.
- Privately developed flats in blocks of three or four storeys without a lift.
- Basement or lower ground floor flats with level access to private or communal garden space.
- Properties where the flat is accessed via a deck or balcony.
- Flats above or adjacent to commercial premises.

### Not acceptable

- Freehold flats (England, Wales, Northern Ireland).
- Basement or lower ground floor flats without level access to private or communal garden space.
- Flats of less than 30 square metres in any location.
- Properties where the combined service charge and ground rent per annum at the time of application is greater than 2% of the property value and also where there is provision within the lease for the ground rent or service charge to increase using unreasonable multipliers, for example, the service charge or ground rent doubling every five years.

## Property features

### Acceptable

- Properties with outbuildings used for normal domestic purposes (garage, workshop, stables, barn etc).
- Properties built or converted into dwellings more than 10 years ago.
- Properties built or converted into dwellings within the last 10 years provided we see evidence of an acceptable building warranty or professional consultant's certificate based on a regime of periodic inspections during the construction. Please see the UK Finance Mortgage Lenders' Handbook ([www.cml.org.uk/lenders-handbook/](http://www.cml.org.uk/lenders-handbook/)) for a list of our acceptable building warranties.
- For the avoidance of doubt, a building warranty or Professional Consultants Certificate (PCC) obtained without verified inspections throughout the construction period is not acceptable.
- Properties with land in addition to the domestic grounds up to a maximum property size of five acres, where the land is for normal domestic use.
- Grade II Listed houses (Grade C in Scotland and B2 in Northern Ireland) can go forward to valuation without referral and will be considered on their merits at underwriting stage. We will require copies of Listed Building Consents and Building Regulations Completion Certificates for any works carried out to the property unless the works were exempt. Buildings insurance must either be unlimited, or the borrower(s) must obtain a Rebuilding Cost Appraisal and buildings insurance must be in accordance with this. In all cases, the listed buildings status must be noted on the policy.
- Properties with flying or creeping freehold which comprises 15% or under of the total floor area.
- Properties with a single **annexe** or other **self-contained part of the property**.
- Properties with room(s) or outbuilding(s) used for a small amount of **personal commercial use**.

### Refer to Aviva

- Properties with a large number/scale of outbuildings.
- Properties converted from modern commercial premises.
- Properties with grounds in excess of five acres.
- Properties with more than one **annexe** or **self-contained part of the property**.
- Agricultural use of the land and any outbuildings.
- Grades I and II\* Listed Buildings in England & Wales (Grades A and B in Scotland; A, B+ and B1 in Northern Ireland) should be referred to Aviva for assessment at application stage. Aviva will require copies of Listed Building Consents and Building Regulations Completion Certificates for any works carried out to the property unless the works were exempt.
- Properties without direct access to an adopted highway or which are accessed over an unmade road.
- Use of the land and any outbuildings for a small amount of personal commercial use.
- Properties with a small number of solar panels or a wind turbine on the land for domestic use may be acceptable.

### Not acceptable

- Properties using rooms, land or outbuildings for business purposes which are not personal to the borrower(s) or which extend to more than 50% of the property to be secured.
- Properties where there is a **self-contained part of the property** or **annexe**, i.e. basement flat etc, and this comprises more than 50% of the property to be secured.
- Properties that are being used for personal commercial use and have a self-contained part and the combination of the two elements extends to more than 50% of the property to be secured.
- Properties that have solar farms, a large number of wind turbines or mobile masts on the land.
- Properties with flying or creeping freeholds which comprise over 15% of the total floor area.

## Environmental factors

### Acceptable

- Properties which have been built on a previously contaminated land are acceptable provided the result of an environmental search determines the land to be clear of contamination.
- Properties that have a private water supply provided a contract is in place with an approved maintenance company for regular testing and maintenance.

### Refer to Aviva

- Properties adversely affected by existing or proposed issues including roads, rail, airports, power plants, power lines/pylons, wind turbines, sub stations, sewage works, quarries, fuel stations, refuse sites, sports grounds, noise, light or environmental pollution, etc.
- Properties in coastal areas that may be affected by erosion.
- Properties where Japanese Knotweed is present.

### Not acceptable

- Properties will be assessed for flood risk at quote stage. If a property is assessed as being in a high-risk zone, it will be unacceptable.
- Properties built on contaminated land.

## Legal factors

### Acceptable

- Customers who have been bankrupt are acceptable provided:
  - five years have expired since the date of the bankruptcy order and all entries have been removed from the Land Registry title before the case proceeds (ie bankruptcy is discharged and bankruptcy search returns a clear result) or
  - the borrower applies for an annulment or discharge as appropriate. The trustee in bankruptcy must agree to the application. All debt must be cleared. Any property must be transferred to the borrower(s) and the entries removed from the title. A court order is required for the entries to be removed from Land Charges.
- County Court Judgments (CCJs) – providing the CCJs have not been registered against the property.
- Rent charges – properties with an estate rent charge are acceptable provided the customer's solicitor sources and provides an 'Estate Rent charge' indemnity policy which will be checked and approved by our solicitors at conveyancing stage. Properties with a pre-1977 rent charge are acceptable with no further conditions.

### Refer to Aviva

- Properties with legal agreements such as Overage, Clawback, Option, Pre-emption, or any onerous Restrictive Covenant.
- Individual Voluntary Arrangement provided it is not registered against the property.

### Not acceptable

- Properties with a sinking fund of 7% or more.

## Glossary

### Annexe and Self-Contained Part of the Property

- Self-contained living accommodation either attached to the main property or located separately within the grounds. This may include a basement or other flat integral to the main property, or a cottage in the grounds of the property.
- We will consider properties with more than one annexe or self-contained part of the property, or a single annexe or self-contained part with more than two bedrooms.
- The total floor area of this living space must be less than 50% of the property to be secured. The 50% limit includes any part of the property being used for personal commercial use.
- Annexes and self-contained parts of the property must either be:
  - a) unoccupied or
  - b) occupied under a **Tenancy Agreement** (only applicable for customers on Edition 5 Terms and Conditions onwards) or
  - c) occupied under a holiday let provided any holiday let does not extend beyond 30 days (only applicable for customers on Edition 5 Terms and Conditions onwards).

### Tenancy Agreement

- Only applicable for customers on Edition 5 Terms and Conditions onwards.
- Our solicitor will check the **Tenancy Agreement** at the outset to ensure it meets our requirements.
- Existing tenants will need to enter into a new **Tenancy Agreement** on agreed terms and will also be required to sign an Occupancy Deed witnessed by an independent solicitor.

### Properties in England & Wales

- All tenants that we accept must sign up to an Assured Shorthold Tenancy Agreement (“AST”) on approved terms.
- The AST must be for a term of six months, terminable at the end of the term upon the giving of two months’ notice.
- The model template to be used can be found by following this link <https://www.gov.uk/government/publications/model-agreement-for-a-shorthold-assured-tenancy>

### Properties in Scotland

- All tenants that we accept must sign up to a Private Residential Tenancy on approved terms.
- The model template to be used can be found by following this link <https://www.mygov.scot/tenancy-agreement-scotland/>

### Properties in Northern Ireland

- All tenants that we accept must sign up to a Tenancy Agreement on approved terms.
- The Tenancy Agreement must be for a term of six months, terminable at the end of the term upon the giving of two months’ notice.

### Tenant

- Only customers on Edition 5 Terms and Conditions onwards will be allowed to have a tenant.
- A tenant must have exclusive possession, which means they have the right to use the living space to the exclusion of all others, including the borrower(s). Therefore, if anyone lives in any self-contained part of the property, we class them as a tenant and they must sign up to a **Tenancy Agreement**.

### Occupancy Deed

- If a third party has been living at the property and contributing to its upkeep before Aviva’s charge is registered, there is a risk that they could claim to have a beneficial interest in the property in the future. By asking for an occupancy deed to be completed, we ensure that the third party is aware of the lifetime mortgage and our requirements when the loan becomes repayable. An occupancy deed is not required for a tenant who moves into the property after our charge is registered.

### Lodger

- A lodger is someone who shares the whole house with the borrower(s). They may have their own bedroom but this doesn’t allow them exclusive possession.

**Personal commercial use**

- Only applicable for customers on Edition 5 Terms and Conditions onwards.
- Any personal commercial use must not extend to more than 50% of the property to be secured.
- The whole property must always remain within the dwelling houses C3 use class under the Town and Country Planning (Use Classes) Order 1987 (or equivalent).
- We may choose not to lend on a small property with a disproportionate amount of land which is predominantly used for personal commercial use.
- Examples of commercial use include using room(s)/outbuilding(s) for a hairdressers or beauty room, professional services, healthcare services, any other online trading businesses, allowing any part of the property to be used as a B&B, any agricultural use, equestrian business, storage, events etc.

If you're unsure about the suitability of your client's property, please contact us.

For more information call: **0800 015 4909** • Lines open Monday – Friday, 9am-5.30pm